No. 99-573

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

SEAGATE TECHNOLOGY, INC.,

Petitioner,

v.

RODIME PLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

I. Whether the Federal Circuit was correct in applying a *de novo* standard of review to the District Court's claim interpretation where (i) Seagate urged the court to apply *de novo* review and did not press below for application of a different standard, (ii) the District Court's claim interpretation was the product of multiple errors of law, and (iii) the District Court's claim interpretation did not turn on any resolution of disputed facts, as Seagate acknowledged below.

II. Whether the Federal Circuit correctly reversed the grant of summary judgment in favor of Seagate on Rodime's state law claims, where the Court of Appeals applied well-settled legal principles to reject allegations that the state law claims were preempted by the patent laws and where it found that Rodime had adduced facts that amply support its claims for intentional interference with contract and prospective business advantage and for unfair competition.

LIST OF PARTIES AND RULE 29.6 STATEMENT

The parties to the proceedings before the United States Court of Appeals for the Federal Circuit were Rodime plc and Seagate Technology, Inc.

Respondent Rodime plc has no parent corporation. The only publicly held company that owns 10% or more of Rodime plc's stock is the Bank of Scotland.

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As requested by the Court, respondent Rodime plc submits this brief in opposition to the Petition for Writ of Certiorari filed by Petitioner, Seagate Technology, Inc. ("Seagate").

INTRODUCTION

The Petition is devoid of any showing of the factors that this Court generally considers to warrant the grant of certiorari. The Federal Circuit's decision was the result of applying well-settled rules of patent claim interpretation to undisputed facts. Although Seagate argues that the Court of Appeals was required to give deference to fact-finding by the District Court in the course of interpreting the patent claims, no extrinsic evidence is relevant to construing the claims, and, in any event, the District Court made no findings on conflicting

extrinsic evidence. Furthermore, directly contrary to its argument here, Seagate *affirmatively argued* to the Federal Circuit both that it was required to review the District Court's claim construction *de novo* (Seagate 4/17/98 Appeal Br. at 11) and that the District Court had relied only on undisputed intrinsic evidence – the claim language, the patent specification and the prosecution history – to interpret the claims, (*id.* at 7, 10). Not only does this case fail to present the issue Seagate framed in its Petition (Pet. at 14), the *de novo* standard of review follows from this Court's decision in *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370 (1996) (*Markman II*), *aff'g* 52 F.3d 967, 978-79 (Fed. Cir. 1995) (*en banc*) (*Markman I*).[1/]

The Federal Circuit's holding that Rodime's state law claims raise issues of fact for the jury also presents no

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[1/] In an effort to make the issue appear cert-worthy, Seagate asserts that "the important issue of the deference owed by the Federal Circuit to findings by the district courts" is one that "has been the subject of a vigorous debate" (Pet. at 14) and that there is "a conflict among Federal Circuit judges and in the patent bar is itself" over the issue (*id.* at n.10). Seagate fails to inform the Court, however, that the so-called "conflict" among the Federal Circuit judges was ended by the very decision Seagate tries to attack in its Petition, the *en banc* decision in *Cybor Corp.* v. *FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) – which is the *sole* Federal Circuit case Seagate cites as "support" for its contention. Indeed, one of the three *Cybor* dissenters – Judge Rader – authored the decision in this case, applying the *de novo* review standard. The articles cited add little to the *Cybor* dissents. Other than *Cybor* itself, the only two cases Seagate cites are district court cases that do not address the rule announced in that case. Instead, both take issue with the rule of *Markman*, affirmed by this Court, that claim interpretation is a matter of law. *See Lucas Aerospace, Ltd.* v. *Unison Indus., L.P.*, 890 F. Supp. 329, 332 n.3, 333 n.7 (D. Del. 1995); *Elf Atochem N. Am., Inc.*, v. *Libbey-Owens-Ford Co.*, 894 F. Supp. 844, 857-58 (D. Del. 1995).

issue for review by this Court. The legal test of preemption followed by the Federal Circuit is well-settled – so much so that Seagate is simply asking this Court to reach a different result under that settled law, on the specific facts of this case, than the Court of Appeals did. In any event, the decisions of this Court compel the Federal Circuit's conclusion that Rodime's claims are not preempted by federal law. This Court repeatedly has recognized that state law tortious interference and unfair competition claims have coexisted with the patent laws for two hundred years, and that state laws protect interests – commercial relationships – separate and distinct from those protected by the patent laws.

For all these reasons, certiorari should be denied.

STATEMENT OF THE CASE

Rodime agrees with the Federal Circuit's summary of the underlying facts, and will not repeat that statement here. Although it also agrees with the Federal Circuit's summary of the proceedings in the District Court, it briefly sets out here facts necessary to give the context for the Federal Circuit's decision. *See* App. 1a-10a, 19a-20a, 22a-24a.

I. The District Court Decisions

Three District Court decisions underlie Rodime's appeal to the Federal Circuit and Seagate's Petition to this Court. In the first decision, the District Court (the late Judge Gadbois) interpreted the patent claims in issue and concluded that the "positioning means" that performs the function of moving the electromagnetic read/write heads across the surface of the disk on which data is stored in

the disk drive also included the separate function of thermal compensation – *i.e.*, of compensating for mispositioning of the heads relative to the disk.[2] As a result of this claim interpretation, Judge Gadbois granted summary judgment as to certain Seagate disk drives, but refused to grant summary judgment as to the Seagate ST157 drives because "issues of fact remain as to" infringement. App. 46a.

The second decision was that of Judge Letts, the third judge to preside over this case. App. 27a. After receiving reports from court-appointed experts, Judge Letts held a hearing, pursuant to *Markman I*, 52 F.3d at 978-79, at which the parties' technical experts and the court-appointed technical expert testified. After the *Markman* hearing, Judge Letts concluded that the "positioning means" of the claims in issue "included structure for performing thermal compensation." App. 9a. Judge Letts then concluded as a matter of law that Seagate's scheme for thermal compensation did not infringe Rodime's patent -- contrary to substantial record evidence and to the law of the case established when Judge Gadbois had ruled that issues of fact precluded summary judgment on precisely the same issue. App. 36a-38a, 46a.

In the third decision relevant here, Judge Letts granted Seagate's motion for summary judgment dismissing all of Rodime's state law causes of action – a motion that had been denied thre times previously – with no citation to the extensive factual record submitted by Rodime in opposition to Seagate's motion for summary judgment. App. 27a-30a. Judge Letts held in the alternative, and

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[2] This mispositioning is caused by the different expansion and contraction rates of a disk-drive's components in response to changes in temperature, such as when the drive warms up after being turned on. App. 2a-3a.

without analysis of, or citation to, any authority, that Rodime's state causes of action were preempted by "federal patent laws." App. 29a.

II. The Federal Circuit Decision

The Federal Circuit reversed the District Court's grant of summary judgement on both patent infringement and the state law claims, finding that the District Court applied the wrong law in interpreting the claims, that Rodime's state law claims were not preempted, and that Rodime's evidence stated a claim under California law.

A. Claim Interpretation

The Federal Circuit rejected the District Court's conclusion that the patent claims in issue included thermal compensation. As Seagate had urged the court to do in its brief on appeal, and consistent with settled precedent, the Court reviewed the legal issue of claim construction *de novo*. App. 11a.

The Court of Appeals first looked to the claims themselves, noting that the "claim element clearly associates the function of 'moving said transducer . . .' with the 'positioning means'" and that the "claim says nothing about accurate placement of a head within a track" nor "does it mention thermal compensation in any respect." App. 13a, 14a. The Court then looked to the patent specification, noting that it "underscores the function of movement amongst tracks." App. 14a.

Having concluded that the "claimed function" is "moving the transducer between tracks on the hard-disk," so that thermal compensation was not part of the claimed positioning means, App. 15a, the Court next addressed whether the claims should be interpreted as means-plus-function claims under 35 U.S.C. § 112, ¶ 6, or whether the claim "recites sufficient structure for performing the moving function to take it outside the bounds of that provision." App. 15a. This issue is, of course, entirely one of law, as Seagate has never disputed. *See Personalized Media Communications, LLC v. ITC*, 161 F.3d 696, 702 (Fed. Cir. 1998).

Once again, the Court first looked to the language of the disputed claims, concluding that the "detailed recitation of structure for performing the moving function" takes the claims outside the scope of section 112, ¶ 6. App. 15a-16a. It thus held that the District Court made two fundamental *legal* errors in interpreting the claims at issue: first, by reading them "to require the function of thermal compensation" and, second, by "using § 112, ¶ 6 to read the structure for performing thermal compensation into the claims." App. 17a.

Finally, the Court addressed Seagate's specific counter-arguments, once again emphasizing the *legal* error made by the District Court. The District Court's claim interpretation had, the Federal Circuit found, ignored the fact that Rodime expressly claimed thermal compensation in another, narrower claim, and could have done so explicitly had it "intended or desired to claim thermal compensation as a function of the positioning means in the asserted claims." App. 18a. The District

Court also confused both commercially desirable features and the function of the detailed embodiment of the "positioning means" as described in the specification, on the one hand, with the function of the "positioning means" as described in the patent claims. The Court further noted the District Court's legal error in not recognizing that a "means may perform more than one function," and that each claim "need not carry the limitations of narrower, specific claimed features." App. 18a, 19a.

Because the District Court's summary judgment of noninfringement was based on its numerous errors in applying basic principles of patent law, the Federal Circuit vacated the District Court's judgment and remanded for further proceedings.[3/]

[3/] Seagate's one-sided and argumentative Statement of the Case is replete with factual misstatements. For example, Seagate asserts that, unless a disk drive includes some form of thermal compensation mechanism, "the head will not be in the correct position, and the disk drive will be unable to read data" (Pet. at 7), and implies that it was the Court-appointed expert's opinion that a disk drive "would not function" without thermal compensation, (*id.* at 8). In fact, the Court-appointed expert admitted that a disk drive without thermal compensation can function, for example, in a temperature-controlled environment. (Appeal J.A. at A3901-02, A3906, A3972.) Seagate also claims that "[e]ach new generation of disk drives has involved a new standard size" (Pet. at 3), implying that particular form factors evolved by a form of mechanical natural selection. The factual record refutes this assertion.

B. The State Law Claims

The Federal Circuit also reversed the District Court's grant of summary judgment on Rodime's state law claims. Based on settled precedent, the Court concluded that these claims were not preempted by the patent laws. App. 20a-24a. Each of Rodime's state law causes of action contained additional elements not found in any federal patent law cause of action and none of those claims involved patent-like protection of subject matter addressed by federal law. The Court had little difficulty concluding that material disputed issues of fact existed as to whether Seagate's misconduct, including its efforts to induce others not to enter into license agreements with Rodime and its knowingly false statements to a government agency, subjected it to liability under California law. App. 6a-7a, 22a-23a.

Seagate filed a Petition for Rehearing and Suggestion for Rehearing En Banc to the Federal Circuit, which were, respectively, denied and declined without dissent.

ARGUMENT

I. Contrary to Seagate's Contention, this Case Does Not Present Any Issue Regarding the Standard of Review for Factual Determinations By District Courts, on Conflicting Evidence, of Technical Issues Relating to Patent Claim Interpretation.

A. Because Seagate Asked the Federal Circuit to Review the District Court's Claim Interpretation *De Novo*, the Issue Was Not Raised or Passed Upon Below.

For the first time, in its Petition, Seagate challenges the application of *de novo* review. Its assertion that this Court should grant certiorari to correct the Federal Circuit's alleged error in reviewing the District Court's patent claim interpretation *de novo* is directly contradicted by the position it took before the Federal Circuit, where Seagate *urged* the court to apply a *de novo* standard of review. (Seagate 4/17/98 Appeal Br. at 11; Pet. for Reh'g at 1.) As a result, the Federal Circuit never addressed the issue or the arguments Seagate now raises in its Petition.[4/]

Seagate's contention that the Federal Circuit was required to give "deference" to the District Court's claim

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[4/] Not only did Seagate concede the correctness of *de novo* review in the Federal Circuit, its petition for rehearing in that Court raised an entirely different issue – one it has not bothered to raise in this Court. (Pet. for Reh'g at 2-6.)

interpretation was not "pressed or passed upon below." *United States* v. *Williams*, 504 U.S. 36, 41 (1992). Under this Court's "traditional rule," the grant of certiorari is precluded in such cases. *Id.*; *see also id.* at 58 n.3 (collecting cases); *Pennsylvania Dep't of Corrections* v. *Yeskey*, 118 S. Ct. 1952, 1956 (1998); *Adickes* v. *S. H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970).

B. The Federal Circuit Reversed the District Court's Claim Interpretation Solely Because It Was the Product of Multiple Errors of Law.

Seagate misstates the Federal Circuit's opinion when it asserts that the Court's "only justification" for its decision "was its own *en banc* decision in *Cybor* [*Corp.* v. *FAS Techs., Inc.*, 138 F. 3d 1448 (Fed. Cir. 1998)]," which allegedly "adopted the 'no deference' rule" with respect to district courts' factual determinations relating to claim interpretation. (Pet. at 21.) The Federal Circuit reversed the District Court's claim interpretation not because of any factual findings, but *solely* because that interpretation was the product of the District Court's multiple errors of law.

As Seagate admits, the District Court held that the "positioning means" limitation of the claims in issue had to be interpreted to include a separate function – that of "thermal compensation" – not because it is anywhere mentioned in the claims, but because "[w]ithout thermal compensation, the disk drive system would not be able to read data recorded previously at a different temperature." (Pet. at 10 (quoting App. 33a).) This holding violated a

number of long-settled rules of claim interpretation. For example, it violated the rule against importing the functions of a working commercial device into the claims, thereby reading "unnecessary functional limitations into the claim." *Transmatic, Inc.* v. *Gulton Indus., Inc.*, 53 F. 3d 1270, 1278 (Fed. Cir. 1995); App. 14a. It is black-letter law that a patent claim "need not claim every function of a working device." App. 14a; *see also, e.g., Stiftung* v. *Renishaw PLC*, 945 F.2d 1173, 1180-81 (Fed. Cir. 1991). Rather, it is perfectly permissible to claim only "improvements in one function without claiming the entire machine with its many functions." App. 14a; *see also, e.g., Chiuminatta Concrete Concepts, Inc.* v. *Cardinal Indus., Inc.*, 145 F.3d 1303, 1308-09 (Fed. Cir. 1998). "Based on these principles," the Federal Circuit correctly held that "the district court's strained interpretation" was wrong as a matter of law. App. 14a. What Seagate tries to characterize as "technical evidence" or "factual issues" were simply *irrelevant* to claim interpretation under the proper legal standards.

C. The District Court Did Not Engage in Any Fact-Finding.

Seagate is also wrong in contending – again for the first time – that the District Court resolved disputed factual issues in coming to its erroneous claim interpretation.[5/] As the basis for its conclusion that

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[5/] In its brief to the Federal Circuit, Seagate argued that the (continued...)

thermal compensation had to be read into the claims, the District Court cited "Judge Gadbois, [the] Special Master, and court-appointed expert Professor Bogy." App. 32a. In adopting the Special Master's recommendation that the claims in issue should be construed to include thermal compensation, Judge Gadbois expressly noted that the Special Master's decision was based on "the patent specification and file history," that is, "the *undisputed public record*," and that "[c]laim interpretation is a question of law" – not on any factual determination. App. 44a-45a (emphasis added). Furthermore, both Judge Gadbois and the Special Master were interpreting the claims in the context of summary judgment where, as Judge Gadbois acknowledged, factual disputes cannot be resolved. App. 48a. *See also* Fed. R. Civ. P. 56. Seagate concedes – indeed affirmatively espouses – that Judge Gadbois and the Special Master were correct.

Judge Letts stated that his reliance on Professor Bogy, the Court-appointed expert, was upon his conclusion that the "moving" function of the claimed positioning means required thermal compensation, which was in turn based upon the conclusion that "[w]ithout thermal

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[2](...continued)
District Court should be affirmed because its claim interpretation "was compelled by the claims, the specification, and the prosecution history" of the patent, (Seagate 4/17/98 Appeal Br. at 7), and further argued that the Court-appointed expert and the District Court "based their conclusions on the *intrinsic evidence*, including the claims, the '383 patent, and its prosecution history," (*id.* at 10 (emphasis added)). Thus Seagate admitted that the District Court did not rely on any disputed facts to interpret the claims.

compensation, the disk drive system would not be able to read data recorded previously at a different temperature." App. 33a.

Even if that observation were legally relevant, which it is not, there was *no* dispute among the experts at the *Markman* hearing on this point, and thus there was no "conflicting evidence" as Seagate claims. (Pet. at 14.) Rodime's expert agreed with Dr. Bogy's testimony on this point.

> Q. Now, you heard Dr. Bogy's testimony about operating at one temperature; do you agree with that testimony?
> A. I do. I can operate, read and write at some fixed temperature.
> Q. And in terms of -- in the case of warming up, what would happen there, could you write – if you didn't have thermal compensation, could you write something before it was warmed up, and then read it when it was warmed up?
> A. No. If I chose to read and write in the same place, I would want to wait until warmup occurred in order to read and write.
>
> . . . .
>
> Q. You'd always have to warmup first.
> A. – I'd have to warmup first . . . .

(Appeal J.A. at A3972, A3974.)

Thus, in accepting Dr. Bogy's opinion on this issue, the District Court did not resolve any "conflicting evidence" or disputed facts, as Seagate admitted before the Federal Circuit. (Seagate 4/17/98 Appeal Br. at 1, 10.) The only dispute was over the *legal* implications of the *undisputed* facts. On this issue, the Federal Circuit agreed with Rodime and, as noted above, correctly concluded that the District Court misapplied settled principles of patent law in reaching its erroneous claim interpretation.

Finally, the District Court clearly understood that claim interpretation is a question of law for it to decide, and that it was not resolving any disputes of material fact, for it granted summary judgment in favor of Seagate. App. 36a. It is well settled that courts of appeal review the grant of summary judgment *de novo*. *Eastman Kodak v. Image Tech. Servs.*, 504 U.S. 451, 466 n.10 (1992). Indeed, Seagate does not dispute this rule of law, which is dispositive of its argument. There being no fact-finding by the District Court, no other standard of review could have been properly applied.

D. The Federal Circuit Applied the Correct Standard of Review.

A final reason for denying Seagate's Petition is that, under this Court's decision in *Markman II*, the Federal Circuit clearly applied the correct standard of review. In *Markman I*, the Federal Circuit held that "claim construction is a matter of law," and that "the construction given the claims is reviewed *de novo* on appeal." 52 F.3d at 979. This Court, in *Markman II*, unanimously affirmed

Markman I, holding that "the construction of a patent, *including terms of art within its claim*, is exclusively within the province of the court." 517 U.S. at 372 (emphasis added); *see also Cybor Corp.*, 138 F.3d at 1455 (The Supreme Court in *Markman II* "held that the totality of claim construction is a legal question to be decided by the judge"). Although the precise issue of the standard of review was not before this Court, the rationale of *Markman II* – that "matters of claim interpretation, even those aided by expert testimony," are "purely" questions of law for the court, 517 U.S. at 387, 391 – inescapably leads to the conclusion that claim interpretation, like all questions of law, is to be reviewed *de novo* by the courts of appeal. *See Salve Regina College* v. *Russell*, 499 U.S. 225, 231-35 (1991); *see also Pullman-Standard* v. *Swint*, 456 U.S. 273, 287-90 (1982); *Cybor*, 138 F.3d at 1455-56; *id.* at 1462 (Plager, J., concurring) ("The Supreme Court agreed with our view" that "the construction given the claims is reviewed *de novo* on appeal.")

Indeed, this Court in *Markman II* framed the issue before it as "'whether the interpretation of a so-called patent claim . . . is a matter of law reserved entirely for the court, or subject to a Seventh Amendment guarantee that a jury will determine the meaning of *any disputed term of art about which expert testimony is offered.*" 517 U.S. at 372 (emphasis added). By setting up this law/fact dichotomy, this Court's holding that claim interpretation is "exclusively within the province of the court," 517 U.S. at 372, implicitly rejected the view espoused by Seagate here, *i.e.*, that claim interpretation involves fact-finding in cases where the court hears expert testimony on disputed

claim terms (Pet. at 14);[6] otherwise, this Court would have concluded that claim interpretation was a jury question.

This Court also explicitly analyzed the role of expert testimony in claim construction, acknowledging that credibility judgments may be entailed, but concluding that "any credibility determinations will be *subsumed* within the necessarily sophisticated analysis of the whole document, required by the standard construction rule that a term can be defined only in a way that comports with the instrument as a whole." *Id.* at 389 (emphasis added). That analysis, this Court held, is a question of law. *Id.* at 390.[7]

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[6] This Court also cited with approval to a leading treatise for the proposition "that matters of claim construction, *even those aided by expert testimony*, are *questions for the court*." 517 U.S. at 387 (emphasis added) (citing A. Walker, *Patent Laws* § 189, at 173 (3d ed. 1895)); *see also id.* at 388 ("Where technical terms are used [to construe a patent claim] . . . the testimony of witnesses may be received upon these subjects . . .. *But in the actual interpretation of the patent the court proceeds upon its own responsibility, as an arbiter of the law, giving to the patent its true and final character and force.*") (quoting 2 W. Robinson, *Law of Patents* § 732, at 481-83 (1890)).

[7] Seagate's argument that, because patent claims are to be construed in light of "the knowledge possessed by one skilled in the art," claim interpretation may require resolution of disputed "evidence" and thus is not subject to *de novo* review (Pet. at 15-16), is foreclosed by *Markman I* and *Markman II*, where the plaintiff made this very argument. The plaintiff in *Markman* pointed to expert testimony regarding the meaning of the claim to one skilled in the art and to disputes over the meaning of a claim term in arguing that the

(continued...)

By treating claim construction as a purely legal issue, regardless of whether extrinsic evidence is taken into account by the District Court, *Markman II* requires the standard of review that applies to all District Court legal determinations – the *de novo* standard applied by the Federal Circuit in this case (and urged by Seagate itself below).

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[7]/(...continued)
jury's claim interpretation was improperly set aside when the District Court ruled *de novo* on the defendant's motion for judgment as a matter of law. 52 F.3d at 979, 983. The Federal Circuit upheld the District Court's action, and this Court affirmed in *Markman II*, expressly holding that "the construction of a patent, *including terms of art within its claim*, is *exclusively* within the province of the court." 517 U.S. at 372 (emphasis added). Having upheld *de novo* review of the jury's claim interpretation – which was based upon disputed expert testimony – there is no principled basis to afford a more deferential standard of review to a District Court's claim interpretation. To the contrary, courts generally defer more to a jury than to judicial fact-finding. *United States* v. *United States Gypsum Co.*, 333 U.S. 364, 395 (1948). Furthermore, this Court acknowledged in *Markman II* that claim construction may not be a "pristine" issue of law, but nonetheless held that, "judges, not juries, are the better suited to find the acquired meaning of patent terms." 517 U.S. at 388. Thus, there is no basis to apply a standard of review different from that which governs all District Court determinations of law – the *de novo* standard.

II. Federal Patent Law Does Not Preempt the State Law Torts of Tortious Interference or Unfair Competition

Seagate asks this Court to grant certiorari to second guess the Federal Circuit's application of settled preemption analysis to state law tort claims. Seagate seeks a rule that would prohibit state protection of commercial relationships and consumers against deceptive business conduct if the victim's patent is later found to have some, but not all, invalid claims. This result is unsupported by the policies preemption law is intended to further, as well as by patent law.[8]

A fundamental flaw of Seagate's argument is that the issue it poses assumes an invalid patent, (Pet. at 25), yet the claims in issue have never been found invalid; they have, indeed survived repeated attempts by Seagate to have them found invalid. Thus, like the first issue Seagate raises, this one is simply not presented by this case.

Moreover, Seagate does not point to any split of authority among the circuits, or even within the Federal Circuit, or with any flawed legal policy. All Seagate

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[8] Seagate suggests that invalidation of some claims infects the whole patent. This is not the case; the validity of each claim is independent of the validity of other claims. *See* 35 U.S.C. § 282; *Shelcore, Inc.* v. *Durham Indus. Inc.*, 745 F.2d 621, 625 (Fed. Cir. 1984). Only one claim need be infringed to create liability for patent infringement.

complains about is the result of applying indisputable preemption principles to the specific facts of this case.

In *Dow Chemical Co.* v. *Exxon Corp.*, 139 F.3d 1470, 1473-76 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 1026 (1999), the Federal Circuit conducted a careful review of this Court's preemption jurisprudence and confirmed the preemption rule applied in this case: a state law tort claim is not preempted if it (i) includes additional elements not found in the federal patent law cause of action and (ii) is not an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. App. 20a.

Seagate does not seek this Court's review of that rule. Seagate also does not challenge the "extra element" prong of the test, nor could it. Despite noting that the Federal Circuit formerly applied the regional circuit's law of preemption analysis, Seagate points to no split in authority on this issue or even criticism of the test. Similarly, although Seagate implies that the Federal Circuit did not apply the correct "patent-like" protection prong below because it did not cite *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), in its opinion (Pet. at 28), Seagate ignores the fact that the Federal Circuit cited *Dow Chemical*'s detailed and accurate discussion of this Court's preemption jurisprudence, including *Bonito Boats*. *See* App. 20a; *Dow Chemical*, 139 F.3d at 1474-75.

Accordingly, Seagate's complaint is at most about an error on the part of the Federal Circuit in applying settled law. This Court does not sit to correct mere error.

In any event, there is no error to correct. First, this Court has already recognized that the state law claims at issue generally are not preempted by the patent laws. Rodime seeks to recover for Seagate's interference with its contractual relations and prospective business advantage. Such "[c]ommercial agreements traditionally are the domain of state law." *Aronson* v. *Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979); *see also id.* ("State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable . . . ."). Thus, in *Aronson,* this Court held that even though the licensor's patent application was rejected, the enforcement of license agreements on intellectual property under state contract law was not preempted regardless of whether that intellectual property consisted of patentable subject matter. *See id.*

Similarly, state law may protect Rodime's actual and prospective license agreements even if all the claims of the patent were to be held invalid. *See Koratron Co.* v. *Deering Milliken, Inc.*, 418 F.2d 1314, 1318 (9th Cir. 1969) (holding that claim for interference with prospective economic advantage does not arise under and is not preempted by the patent laws). That question is not even presented in this case, however, because the disputed claims of Rodime's '383 patent are not invalid.

This Court also has recognized that "the law of unfair competition . . . [has] coexisted harmoniously with federal patent protection for almost 200 years, and Congress has given no indication that their operation is inconsistent with the operation of the federal patent laws." *Bonito Boats*, 489 U.S. at 166; *see also Mars Inc.* v. *Kabushiki-*

Kaisha Nippon Conlux, 24 F.3d 1368, 1373 (Fed. Cir. 1994) (holding that unfair competition and patent law "have long existed as distinct and independent bodies of law, each with different origins and each protecting different rights"). In fact, "there are affirmative indications from Congress that . . . the law of unfair competition . . . [is] consistent with the balance struck by the patent laws." 489 U.S. at 166.

Second, application of this Court's three-factor test to determine whether the state law offers "patent-like protection" such that it is an "obstacle" to the execution and accomplishment of the patent laws confirms that there is no preemption here.[9/] The three factors (or three purposes of the federal patent system) are the providing of the incentive to invent, the encouragement of the full disclosure of ideas, and the principle that ideas in the public domain remain in the public domain. *See, e.g.*, *Aronson*, 440 U.S. at 262. None of these three factors is adversely impacted by the state law claims at issue here.

Well-settled principles of patent law promote the enforcement of patent licenses. Payments received under a license agreement prior to the licensee's challenging the validity of the patent are not recoverable by the licensee (absent fraud) if the patent is subsequently found

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[9/] This test was first set forth in *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 480-81 (1974), and relied upon again in *Aronson*, 440 U.S. at 262, and *Bonito Boats*, 489 U.S. at 151-52, 155. The Federal Circuit, adopting the terminology used by this Court, refers to these factors as "patent-like protection." App. 20a; *Dow Chemical*, 139 F.3d at 1475. *See also Bonito Boats*, 489 U.S. at 152, 156, 168.

invalid.[10/] Moreover, a third-party licensee may not rely upon another licensee's challenge to the patent's validity. *Cordis Corp.* v. *Medtronic, Inc.*, 780 F.2d 991, 996 (Fed. Cir. 1985). Thus, under recognized patent law, Rodime could and would have received license payments but for Seagate's wrongful interference for which Rodime may seek damages, regardless of whether its patents later prove to be valid and/or infringed.

Enforcing this expectancy is consistent with and presents no obstacle to realization of the three factors. First, enforcing licensing agreements provides an additional incentive for invention. *See Aronson*, 440 U.S. at 263. If a patent holder's royalty revenue were under the "continuous cloud" of possible disgorgement, it would lessen the financial advantages of the patent and deter

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[10/] *See, e.g., Studiengesellschaft Kohle, M.B.H.* v. *Shell Oil Co.*, 112 F.3d 1561, 1567-68 (Fed. Cir. 1997); *Transitron Elec. Corp.* v. *Hughes Aircraft Co.*, 649 F.2d 871, 874 (1st Cir. 1981) (collecting cases and noting the Court of Appeals' agreement on this issue); *St. Regis Paper Co.* v. *Royal Indus.*, 552 F.2d 309, 312-14 (9th Cir. 1977); *Troxel Mfg. Co.* v. *Schwinn Bicycle Co.*, 465 F.2d 1253, 1257-60 (6th Cir. 1972); 6 Donald S. Chisum, *Chisum on Patents* § 19.03[6][h], at 19-275 to 19-276 (1998); *see also Concrete Unlimited* v. *Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985) (holding that patent-holder had the right to enforce its patent until the patent was found invalid and that such enforcement did not constitute unfair competition); *Rite-Nail Packaging Corp.* v. *Berryfast, Inc.*, 706 F.2d 933, 936 (9th Cir. 1983) (holding that a licensee must continue to pay royalties even if it believes that the patent is invalid until the licensee takes "'affirmative step that would prompt the early adjudication of the validity of the patent'") (quoting *Bristol Locknut Co.* v. *SPS Techs.*, 677 F.2d 1277, 1283 (9th Cir. 1982)).

invention. *See Troxel*, 465 F.2d at 1257-58. Second, failure to enforce licensing agreements prior to a challenge to the patent's validity by the licensee "would deter inventors from resorting to the patent system in the first instance," thereby frustrating the policy of the full disclosure of ideas. *Troxel*, 465 F.2d at 1258 (noting that inventors may decide to protect invention as a trade secret or be deterred from inver'ing at all). Finally, any other rule would defeat the policy of encouraging an early adjudication of the invalidity of patents, thereby frustrating the principle that ideas in the public domain remain in the public domain. *See Troxel*, 465 F.2d at 1257; *see also Studiengesellschaft*, 112 F.3d at 1568; *Transitron Elec.*, 649 F.2d at 874; *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 673-74 (1969). As Professor Chisum succinctly states: "Allowing recovery of pre-challenge royalties would give licensees an incentive to delay validity challenges and would tend to discourage inventors from obtaining patents or from granting licenses." Chisum, *supra*, § 19.03[6][h], at 19-275 to 19-276. Rodime therefore can recover contract damages for this lost expectancy, completely consistent with the patent laws.

Accordingly, this Court recognized in *Bonito Boats* that there is no preemption where, as here, the state law claims "operate[] to protect non-economic interests outside the sphere of congressional concern in the patent laws." 489 U.S. at 155. California's unfair competition law and prohibition against interference with actual and potential contractual relations act to protect commercial relationships and consumers, which are wholly different from the interests protected by the patent laws. *See, e.g.*,

Bonito Boats, 489 U.S. at 157 (unfair competition law's "focus is on the protection of consumers"); *Dow Chem.*, 139 F.3d at 1477 (state law interference claims protect "its citizens and residents in their contractual relations from acts of wrongful interference inside its borders by any party, including a patentee," such protection "is primarily the concern of state law" and "[a]ny award of damages, then, would be based on local conduct that the state has a right to regulate"). In finding no preemption below, the Federal Circuit specifically held that this was the case here. App. 21a ("[T]his court finds that these state law causes of action do not constitute an impermissible attempt to offer patent-like protection to subject matter addressed by federal law. Tortious interference protects business relationships. Unfair competition prevents unethical and oppressive business practices.")[11/]

Finally, Seagate does not dispute that the state law claims contain extra elements different from the causes of action of patent infringement or inducement to infringe.[12/] Indeed, Seagate concedes that "[n]one of

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[11/] Contrary to Seagate's assertion (Pet. at 25), Rodime's state law claims seek a remedy for interference with Rodime's contract expectations, not for Seagate's patent infringement; the wrong done and the measure of damages are wholly different from the claim of patent infringement. *See Summit Mach. Tool Mfg. Corp.* v. *Victor CNC Sys., Inc.*, 7 F.3d 1434, 1440 (9th Cir. 1993).

[12/] Although Seagate states that the Federal Circuit "analogized Rodime's [state law] claim to a claim of inducement to infringe" (Pet. at 13), in fact the Court simply responded to Seagate's argument that

(continued...)

Rodime's state law claims depends in any way on Rodime's proving that its patent was valid or infringed." (Pet. at 25.) Where the state law claims and the federal claims are so independent, it is difficult to understand how preemption could occur.

Seagate's only argument is that the extra element is not "extra enough" in this case. Seagate relies upon the Court's distinction of an "unscrupulousness" requirement in a very different state law prohibiting copying in *Bonito Boats*. The "wrongfulness" requirement for interference claims under California law is *not* a "conclusory label" like "'unscrupulous,'" *Bonito Boats*, 489 U.S. at 164, but rather a substantive requirement adopted by the California Supreme Court after careful consideration of the policies protecting commercial relationships and competition under California law. *See Della Penna* v. *Toyota Motor Sales, U.S.A., Inc.*, 902 P.2d 740, 747-751 (Cal. 1995). Seagate itself argued strenuously below that this element was both proper and material. (Seagate 4/17/98 Appeal Br. at 37-38.) Similarly, section 17200 is California's codification of unfair competition law designed to protect consumers from "unlawful, unfair, or fraudulent business act[s]." Cal. Bus. & Prof. Code § 17200. Policy judgments regarding protection from unlawful and fraudulent business practices and of commercial relationships clearly are judgments the states are free to make. *Cf. Bonito Boats*, 489 U.S. at 164.

[12/](...continued)
the state law claims "implicate the patent law cause of action of inducement to infringe." App. 21a.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

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